

DEPARTMENT of FINANCIAL INSTITUTIONS

Thinking of a Payday Loan?

What is a Payday Loan?

A payday loan is a small, unsecured, high interest, short-term cash loan. In most cases, consumers write a post-dated, personal check for the advance amount, plus a fee. The lender holds the check for the loan period and then deposits it, or the customer returns with cash to reclaim the check.

You Should Know!

Although a payday loan may be a convenient short-term solution, it is inappropriate for long-term cash needs. Borrowers can get trapped in a payday loan cycle of debt by taking out loan after loan – sometimes called “rolling over” the loan.

Think a Payday Loan is the Answer?

Consider Your Options!

- Ask about delaying or making payment arrangements on your non-interest bills like telephone and utility bills.
- Ask to borrow money from a friend or family member.
- Ask your employer for an advance on your paycheck.

www.DFI.WA.GOV

1.877.RING.DFI



What to Expect in Washington State:

- Maximum Loan Term:45 days
- Maximum Loan Amount:\$700
- Maximum Fee:..... 15% on the first \$500 -10% above \$500

For Example:

A loan for \$500 + \$75 fee = \$575
A loan for \$700 + \$95 fee = \$795

Under the Truth in Lending Act, the cost of credit must be disclosed. Among other information, you must receive information outlining the finance charge and the annual percentage rate (APR). The APR informs you of the cost of your loan. For example, a 14-day, \$500 payday loan with the maximum fee permitted by statute would have an APR of 391.07%.

If You Decide to Get a Payday Loan, Shop Wisely!

- Contact the Department of Financial Institutions to verify that you are dealing with a licensed lender.
- Comparison shop for the lowest fees and penalties. For example, some credit unions offer payday loans with lower fees.
- Borrow only as much as you can afford to repay with your next paycheck.
- Know when your payment is due and be sure to repay the loan on time and in full.
- Avoid borrowing from more than one lender at a time.
- Plan for the future by making a realistic budget to help avoid the need to borrow for emergencies and unforeseen expenses.

Know Your Rights and the Law!

- You have the right to change your mind about the loan within one day.
- You have the right to know all of the costs involved.
- You have the right to a payment plan.
- A payday lender may not threaten criminal prosecution as a method of collecting a past due loan.
- Paying off an old loan with a new loan may be illegal.

Washington State Department of Financial Institutions

The Department of Financial Institutions regulates a variety of Washington State financial service providers such as banks, credit unions, mortgage brokers, money transmitters, payday lenders, and securities broker-dealers and investment advisers. The Agency also works to protect consumers from becoming victims of financial fraud. To file a complaint or get answers to your questions, contact DFI at 1-877-RING-DFI or visit our web site at www.dfi.wa.gov.

